



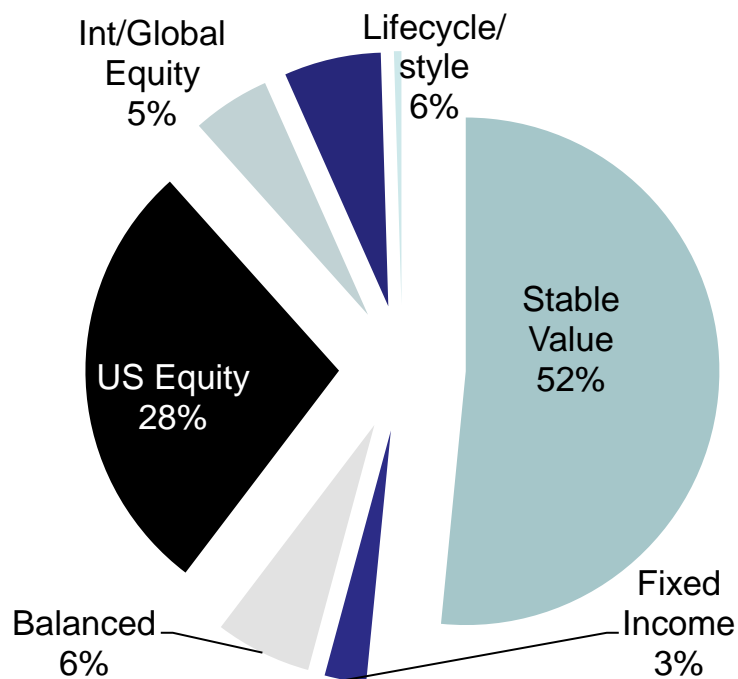
November 2010 NDC Committee Meeting



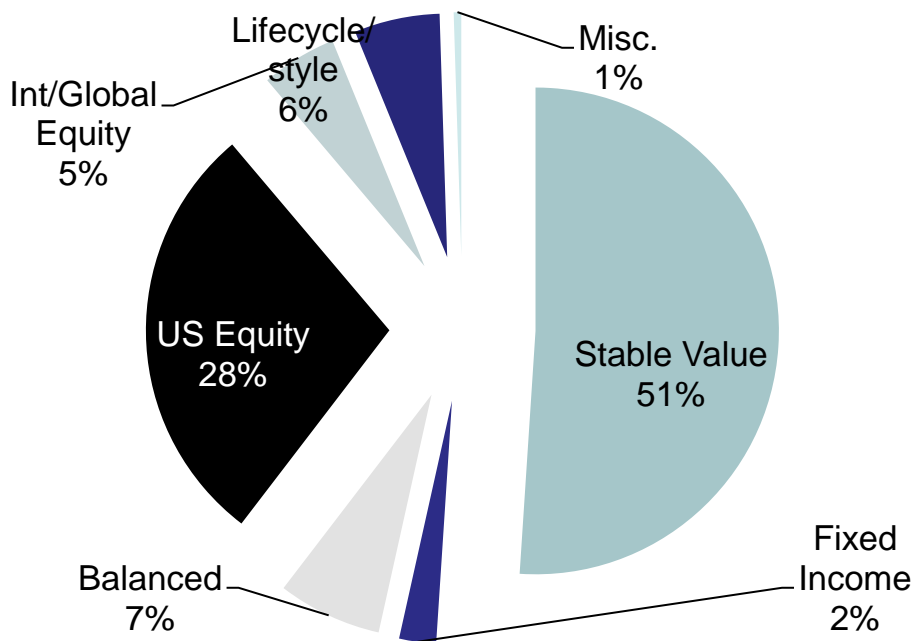


NDC Asset Allocation

\$510.3 Million
As of 9/30/10









\$462.29 Million
As of 9/30/09












Plan Activity

	3Q 09	3Q 10	% Change
Total Participants	12,973	12,863	 8.5%
New Participants	158	205	 29.7%
Quarterly Cash Flow	\$11.66 Million	\$10.88 Million	 6.7%
Individual Mtg with Reps	2,869	1,746	 39%
Group Enrollment Meetings	207	214	 3.4%
Unforeseen Emergencies (Total \$)	\$148,866	\$164,549	 11%



Enrollments Vs Leakage

	3Q 09	3Q 10	% Change
Total Participants	12,973	12,863	 0.8%
Enrollments	158	205	 30%
Withdrawals (Full Only)	90	105	 17%
Rollovers (Out of Plan)	40	55	 38%
Service Buybacks	26	42	 62%
Unforeseen Emergencies	35	50	 43%
TOTAL NET	-33	-47	 42%



Performance Indicators

Performance Indicators	FY 09 Actual (as of Sept. 30 , 2009)	FY 11 Actual (as of Sept. 30, 2010)	FY 11 Goal	% of Goal
Total Participants*	10,558	10,461	11,429	-9.3%
Participation Rate*	31%	30%	39%	-8%
Percent of funds with top ratings (4-5 stars)	48%	54%	75%	-21%
Average Annual Costs to Participants**	0.68%	0.66%	0.68%	+0.02%
Percent of Customers' Calls to providers answered within 20 seconds	94% Hartford	80%Hartford	80%	Target
	89.6% ING	90% ING	80%	+10%
Total Plan Assets*	\$373 million	\$409.9 million	\$393 million	+4.1%

* Does not include alliance partner data

** Does not include guaranteed accounts



Hartford General Account Review

- **Why Concerns?**
 - Corporate plans terminate at less than 100%
 - Bond market declines
 - Insurance company credit declines
- Participants seek low risk, principal protection
 - Nearly half of the total assets (over \$230 million)
 - Rely on Committee for oversight to ensure security



Evaluating Hartford General Account

- Committee Review
 - Consultant Report
 - Evaluating Option
 - Data Not Specific
 - Importance of Credit Rating
 - Gauge ability to meet crediting rate guarantees
 - Decline may impair crediting rate or principal
 - System of Removal



What if further credit deterioration?

AM Best	Fitch	Moody's	S&P
A++	AAA	Aaa	AAA
A+	AA+	Aa1	AA+
A	AA	Aa2	AA
A-	AA-	Aa3	AA-
B++	A+	A1	A+
B+	A	A2	A
B	A-	A3	A-
B-	BBB+	Baa1	BBB+
C++	BBB	Baa2	BBB

Green: As of June 30, 2007

Blue: Current ratings as of November 2010

Red : Possible Removal of Option or Early Provider Request for Proposal (RFP)

Companies ratings of “BBB/Baa3” or higher are considered investment grade



Staff Recommendations

- Staff recommends removing Hartford General Account from Watch:
 - System to remove option, if further credit decline
 - Stable credit ratings over past 12+ months
 - Enhance quarterly investment/compliance reporting



Recommended Motion

- Recommended Motion
 - Motion to remove the Hartford General Account from the Committee's Watchlist and upgrade the quarterly investment/compliance reporting for this option.



ING Custom Target Risk Funds

- Committee Motion to transfer to Passively Managed Funds in ING Custom Portfolios
 - Administratively Prohibitive
- Pre-packed passively managed target- risk funds
 - Not available in market place
- Consider move to target-date funds



EZ Enrollment Form

- ING defaults to Target Risk funds
 - 69% of plans now default to target-date funds (up from 50%).*
- Target Date Funds
 - Automatically change allocation over time
 - Less risk as ‘target’ date nears
 - Similar default option for both providers
- Target Risk Funds
 - Require participant change allocation

Concerns with inertia

*2009 Trends and Experience in 401(k) Plans, a Hewitt survey of over 300 employers.



Staff Recommendations

- Staff recommends the Committee replace the ING Custom Target Risk funds with the Vanguard Target Date Funds:
 - Reviewed in May 2010
 - Similar default option for both providers
 - Potential economies of scale by utilizing Vanguard



Recommended Motion

- **Recommended Motion:**
 - Motion to direct Staff to work with Mercer and ING to replace the ING Custom Target Risk Portfolios with the Vanguard Target Date funds



International Equity Fund Search

- Hartford unable to administer redemption fees
- Concerns for two primary reasons:
 - Provider limitations should not drive investment process
 - Redemption fees are common in international funds
- **Amended Recommended Motion:**
 - Motion to defer recommendation on International Equity Search for the Hartford platform



Committee Fund Watch List

Fund Name	Date Added	Reasons	Action
Hartford General Account	June 2009	Credit Rating Declines	Remove
Invesco Van Kampen Equity & Income	February 2010	Manager Change (fixed income)	Continue
Lazard U.S. Mid Cap Equity Income	May 2008	Underperformance & Manager Change	Continue
AllianceBernstein Intrntl Value	February 2009	Underperformance, Staff reductions, asset losses and manager changes	Terminate
Oppenheimer Main Street Small Cap	August 2009	Manager Changes	Continue
Mutual Global Discovery	February 2010	Manager Changes	Continue
Munder Mid Cap Growth Fund	November 2010	Underperformance & Manager Change	Add
Keeley Small Cap Value Fund	November 2010	Underperformance & Volatility	Add



Consultant Request for Proposal (RFP) Timeline

Event Description	Date
Review and Approve RFP	February Committee Meeting
Release RFP	April 18, 2011
Proposals Due	May 13, 2011
Select Finalists	June Committee Meeting
Finalists' Presentations/Selection	August Committee Meeting
Completion of Final Contract	November 2011
Final Contract to Board of Examiners	December 2011

Recommendation Motion:

Motion to approve the Investment/Compliance Consultant Request for Proposal Timeline, as submitted or amended.



Demographic Results Review

State Government Employee

- Age: 46
- Yrs of Service: 8
- Salary: \$49,688
- NDC Participation %: 31%



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Department of Corrections (NDOC) Employee

- Age: 43
- Yrs of Service: 7
- Salary: \$49,665
- NDC Participation %: 21%



Participation by Salary

State Government Employees

Over \$150,000:	28%
\$149K - \$100K:	44%
\$99K - \$80K:	48%
\$79 - \$60K :	46%
\$59K - \$40K:	32%
\$39K - \$30K:	19%
Under \$30K:	23%



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State Government Averages

Age Ranges	% of Peers Participating in NDC	NDC Average Account Value	Average Paycheck Contribution
Age 30 and Under	20%	\$4,233	\$38
Ages 31 – 40	28%	\$13,968	\$82
Ages 41 – 50	35%	\$25,841	\$115
Ages 51 – 60	37%	\$47,487	\$155
Over age 60	35%	\$77,691	\$124



Where do we go from here?

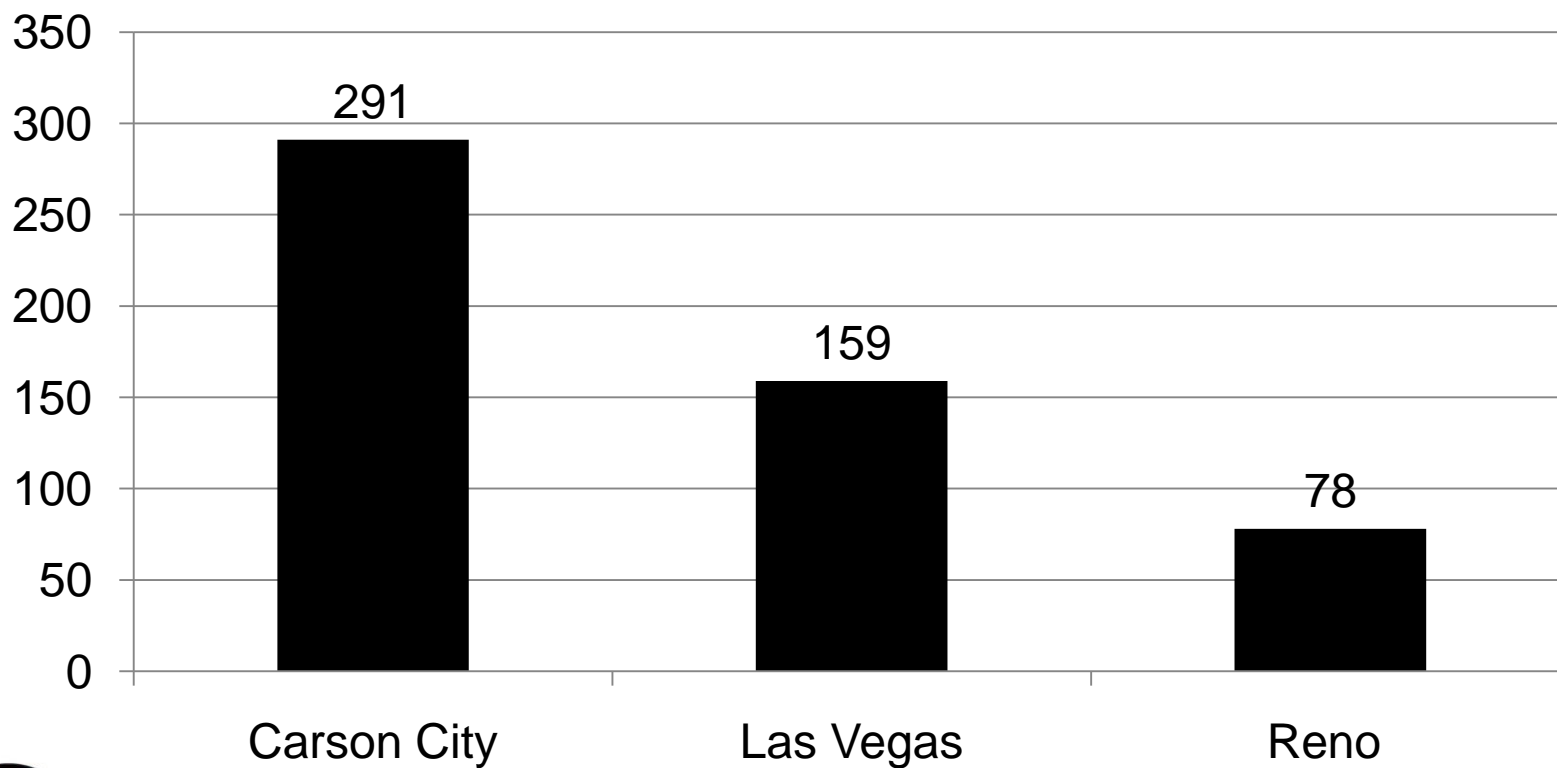
Utilize Targeted Communication Strategies

- Ages 34 and under (Generation X)
 - Create savers
 - Utilize technology and automation (online and easy enrollment)
- Ages 36 – 45 (Generation Y)
 - Assist in balancing saving versus immediate financial needs
 - Utilize technology and automation (online and easy enrollment)
- Ages 46 and over (Baby Boomers)
 - Assist in choosing a realistic retirement date
 - Assist in retirement planning
 - More personalized services



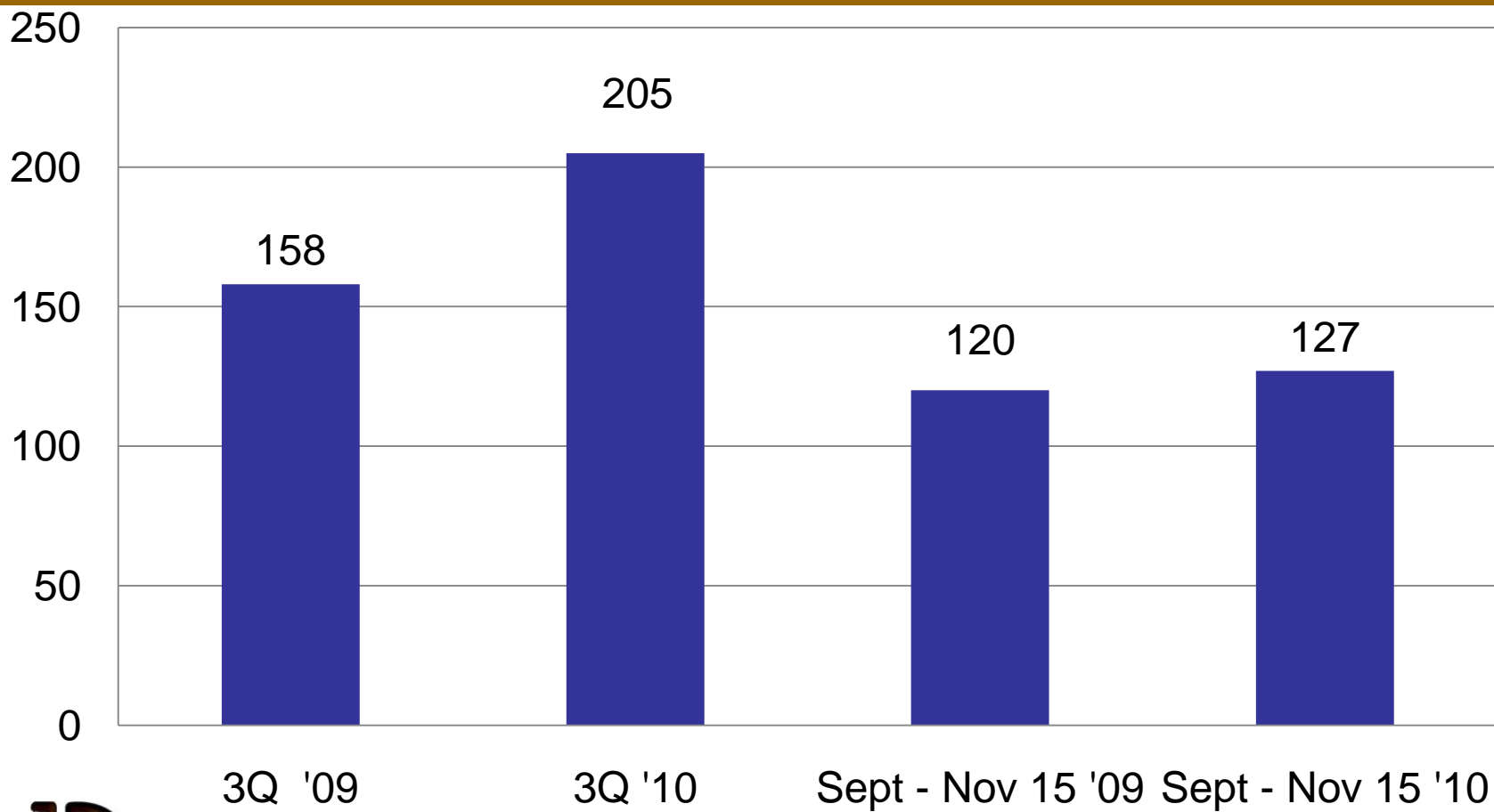
2010 Financial Education Day

Attendees





Enrollments





Communication Plan Update

- New Enrollment Meeting
- Participant Fee/Investment Option Piece
 - Ensure compliance with Dept of Labor fee disclosure regulations (Phase II)
- Participant Survey
 - Utilize comments for future communications
- Winter Newsletter
 - Mid to late January distribution